

DRPT Transportation Study Committee

August 3, 2011 Meeting

1. Welcome and Introductions

DRPT Chief of Public Transportation Bob Wilson and DRPT CFO Steve Pittard welcomed the SJR 297 Committee to its second meeting. They provided brief comments about the importance of the discussions to be held during the day and requested continued input from the Committee and all stakeholders.

Beginning with this meeting, the Committee has provided for a Public Comment Period at the opening of the meeting during which time members of the public are invited to briefly address the Committee. The public is invited to attend the meeting in an observer role. At this time, no members of the public were present to provide comment.

2. Presentation on Transportation Demand Management (TDM)

Howard Jennings of Arlington Transportation Partners provided a brief PowerPoint overview of TDM practices and programs in Virginia. He noted that the Virginia TDM program is one of the top three programs in the U.S. and that it serves both large and small, as well as both urban and rural markets. Mr. Jennings discussed the features and innovative practices of a variety of Virginia TDM programs. He also noted the numerous benefits of TDM, including congestion relief and contributions to the attainment of air quality goals, transit support, savings to business, economic development, and jobs access.

3. Update on Public Transportation Study Workplan

Project Manager Susan Binder of Cambridge Systematics, Inc., reviewed an initial working draft of the final report in outline form with the SJR 297 Committee. The Committee then offered feedback and comments on what should be contained in the final report. The Committee discussed how its share of overall transportation funding ought to be addressed in the report. The point was made that increasing accountability and providing information on a performance basis could serve to support increasing DRPT's share of the Transportation Trust Fund (TTF). Further, the size of the TTF (remaining the same, increasing, or decreasing) would have an effect on the implications of any recommendations for change to DRPT funds allocation. It was noted that recommendations for allocation methods may pivot on the level of funding and thus various assumptions should be built into options for study.

The Committee also commented that there would be value in identifying what is working well for transit in Virginia and what portion(s) of the system need changes or improvement. Some expressed that this step should be considered prior to selection and evaluation of performance-based measures and formula factors. Other comments and issues raised by Committee members included:

- Sustainability of funding incentives that might be introduced in any new formula should be addressed.
- One goal of the report document might be to set the stage for communicating to the legislature accountability through the use of metrics.
- Some stakeholders stated that comparisons are difficult to use to draw any conclusions, noting that it is reasonable to compare Virginia with national peers, but comparisons of transit agencies across the state are not fair since there is such great variation in service and communities. This equity issue was discussed in light of concerns about funding allocations based on performance metrics given the challenges of finding and using true comparators.
- A question was raised concerning the terminology to be used in the report to reference TDM. It was noted that “Transit and TDM” is the common phrasing used in DRPT documents, and this report would be consistent.
- Committee members acknowledged that future Federal funding is unclear and likely changing, possibly dramatically. Any changes in level and/or approach will affect Virginia transit agencies. Recognition of this uncertainty and potential impacts should be reflected in the report.
- The Committee discussed how important unmet transit “needs” are to the context of the report. Some expressed the belief that a strong foundation of information about needs, even if from sources other than this study’s analysis, should be presented in the report to inform the General Assembly.
- Of the options to be explored, the Committee expressed that an initial step could be to evaluate only “administrative changes” to the formula, particularly if the funding levels remain the same or decrease.
- To move towards a performance based apportionment, some in the Committee expressed the conclusion that this would require a significant increase in funding. In times of tight fiscal constraint, allocation may be viewed very differently than in times when more resources are available.
- Several members of the Committee expressed the belief that whether or not funding increases, DRPT should address accountability. The observation is that this is a trend for practices in all industries.
- Committee discussion emphasized the SJR 297 concept of stability in several forms including “match ratios” that change every year based upon demand and available revenues. A “hold harmless” approach, complemented by a reserve fund, was discussed as a potential means to stabilize funding for both capital and operating expenses. Some noted that this might not be suitable if the TTF is shrinking.
- Some members requested information from the DRPT about historic and future projections of revenues in order to incorporate them into any assessment of future allocations.
- Several Committee members recommended that the study reflect best and worst case scenarios in terms of anticipated future funding.

4. Examining Formulas Practices

Susan Binder presented information on the various factors that are in use across the country to distribute transit funds. To illustrate, she walked through the formula factors that have been incorporated into the current distribution of Federal transit funding. In addition, she presented the key formula factors in use at the state level in four case studies in order to explain the variety of factors in use and various issues associated with formulas.

The discussion of formulas moved to a recap of the current Virginia formulas. Jamie Motley provided a brief overview of the current DRPT method of funds allocation. This was followed by a discussion of the advantages and disadvantages of the current funding allocation method from the point of view of the DRPT staff who administer these programs and from the perspective of the Stakeholder Committee. This Committee discussion was facilitated by Elizabeth Sanford of Cambridge Systematics, and included the following observations:

Benefits of the Current Funding Program

- The Committee took note that the current distribution of funds to transit providers in Virginia seems balanced, fair, equitable and transparent. The strongest advantage is that all providers are treated equally and in alignment with the level of their operations, as measured by funds expended.
- DRPT representatives noted that bonds allow some flexibility (such as a lower match for those that do not accept federal funds) of administration so that DRPT can help to match needs. (However, it is noted that when bonds dry up in a few years this will not be an option.)
- The Committee appears to believe that even if the current allocation scheme is kept, it could be modified in small (“administrative”) ways to improve it.
- Some Committee members find that overall total dollars for operating costs has been fairly consistent.

Weaknesses in the Overall Funding Program

- The Committee noted that the timing of allocation is problematic and that it would be very beneficial to know the level of DRPT funding for each agency prior to submitting this information to local governments for budgets. One prominent complication of submitting budgets is that there is uncertainty in participation rates, which must be estimated with the grantee bearing the brunt if the changes are significant. It would be preferred to have participation rates remain the same once they are established.
- The data reporting and administration requirements of the current system are time-consuming and not worthwhile. Much of that data, it appears, is rarely a factor in the distribution formula. Members requested that data reporting requirements be reconsidered.

- The Committee might consider a legislative change to allow for a reserve account of funds (such as from a supplemental source, or an Infrastructure Bank or de-obligated funds) that could be used to moderate variations from trend.
- Members of the Committee noted that the current formula penalizes all providers in the state when a new system starts. If the TTF does not increase to accommodate that growth, every transit provider gets less (all other things being equal). The existing individual properties are in effect penalized for providing more service. It was asserted that every year for the last three years, the DRPT has added a rural provider.
- Some on the Committee referred to “administrative changes” as acceptable to them without an increase in funding whereas significant changes to the funding distribution would be unacceptable unless it was tied to substantial new sources of revenue.
- Block grants were desirable to some, it appeared, particularly if there is additional funding.
- Some of the Committee suggested that, even with current funding program, there should be minimal performance standards. The distinction between performance standards, performance monitoring, and reporting would need to be clarified in the study.
- Discussion among Committee members revealed a strong preference to avoid changes that would benefit one system at expense of another.

Weaknesses Specifically in the Current Operating Assistance Program

- Discussion of the value of the statutory “aspirational” 95% cap relating to eligible expenses highlighted the administrative complications of such requirements and the uncertainty as to the value that the cap brings to the program.
- Concern was expressed that the distinction between eligible and ineligible expenses is not defensible from a policy point of view. Examples cited included the result that unionized labor costs are not eligible, non-unionized labor costs are eligible.
- DRPT representatives noted that current allocation methods for operating expenses are based on expenses from two year old data, raising technical and policy problems. One recommended solution was to use current year budgets to allocate funds, followed by a reconciliation at the end of the year or into the coming year.
- The Committee noted the funding gap that is created between demonstration projects (with special funding) and demonstration projects that have “graduated” into the regular program – they are not immediately eligible for traditional operating funding.

Weaknesses Specifically in the Current Capital Assistance Program

- The Committee expressed concern about policies that affect funding levels based on acceptance of Federal funding. Much of the discussion related to advance notice of such a policy. Members expressed a desire for a clear understanding as to the full fiscal

effects of accepting or not accepting Federal funds on individual providers and all Virginia transit providers.

- DRPT representatives noted that the statutory reference to “Non-Federal-Share” in State Code makes it difficult to be flexible while allocating funds. A legislative change should be considered.
- Committee members noted that the relationship between capital and operating funding are not reflected with individual capital and operating assistance programs. Statements were made that if capital grants are not provided, then operating performance will diminish.

5. Formula Factors Discussion

Having discussed the many different formula features and formula factors and the many permutations across them, the discussion continued with full understanding that only a limited number of funding options/scenarios can be addressed in this study with limited time and resources. Susan Binder confirmed that up to five allocation approaches would be analyzed. Comments made with respect to the priorities and preferences for testing and analysis included:

- Fare box recovery and, more generally, Locally Derived Income was discussed as a possible measure or factor.
- A fiscal stress index was suggested for consideration as a factor. Such an index would take into consideration high unemployment rates or other economic challenges.
- Trips per capita was recommended as a statewide measure that could potentially be constructed in an equitable manner across the state for both urban and rural communities.
- Factors which contained expense rates (per trip/per mile/per vehicle) were seen as difficult to construct and fairly compare across agencies as wage rates vary. Tiering might help to compensate for those labor concerns.
- Safety metrics are not necessary as a performance measure, as insurance rates provide sufficient incentive for a safe system.
- The observation was made as to the correlation between current share of funding and ridership, arguing for either ridership as a good factor or that the current formula is sufficient. The example was Northern Virginia where the ridership is about 75-80%.

6. Public Comments

The Committee allowed for a change in schedule to accommodate a member of the public to comment at the end of the meeting rather than at the beginning as planned, due to a schedule conflict.

Linda McMinimy, Executive Director of the Virginia Transit Association. Ms. McMinimy noted that the study is an excellent opportunity to inform and educate the State Legislature on how programs for transit and roads differ in Virginia. She commented that other state examples

provide learning opportunities but do not necessarily apply on all aspects. She also stated that there are many benefits that transit serves besides the movement of people and that this study can help to educate the State Legislature on the advantages and benefits of transit to Virginia. Ms. McMinimy recommended enlarging the share of TTF funding for transit to accommodate anticipated growth, and establishing a mechanism for doing so such as indexing transit funding based on ridership or percentage of market share.

7. Conclusions

- The DRPT leadership noted that a purpose of the study will be to evaluate modifications of existing formulas and consider new ones as well, understanding that radical departures without additional funding would present a challenge.
- Even among Committee members who expressed the belief that current DRPT funding allocation program is fair to transit agencies, it was expressed that some changes to “administrative aspects” of the funding program could be an advantage.
- Many stakeholders on the Committee had a strong desire to ensure that agencies be held harmless with any changes that would be recommended, such as factors developed to promote performance.
- There was a consensus that the report should clearly state that recommendations are based in the desire to address the shortcomings of the existing formula programs and the benefits that could be achieved with additional funding; it should reflect the benefits of transit provision and avoid any interpretation that could be considered a condemnation of the quality of service being provided in the Commonwealth.

8. Next Steps

Next steps for the DRPT Transit Study will include

- Developing a summary of the meeting for posting on the DRPT website (along with the summary of the June 16th meeting).
- Incorporating the Committee comments into a revised report outline.
- Finalizing and posting an Option Identification Working Paper on the website.
- Finalize funding factor option scenarios and conduct analysis. The Consultant Team will identify a limited set of options for future analysis, taking into consideration the input of the Stakeholder Committee, and provide them to DRPT for review and comment.
- The next Stakeholder Committee meeting is scheduled for 9am-3pm on September 14th, 2011, in the North Conference Room, Floor 12, 600 East Main, Richmond, Virginia.